

**CITY OF GRAND LEDGE,
MICHIGAN**

Financial Statements

**For The Fiscal Year Ended
June 30, 2004**

AUDITING PROCEDURES REPORT

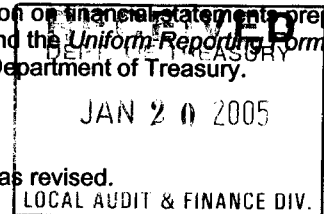
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Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Grand Ledge	County Eaton
Audit Date 6/30/04	Opinion Date 12/03/04	Date Accountant Report Submitted to State: 1/12/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

CITY OF GRAND LEDGE, MICHIGAN
For the Fiscal Year Ended June 30, 2004

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

December 3, 2004

The Honorable Mayor and
Members of the City Council
City of Grand Ledge
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF GRAND LEDGE, MICHIGAN** as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grand Ledge's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Grand Ledge Area Emergency Services Authority (GLAESA), which represents 18.0% of the assets and 50.8% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the GLAESA, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Grand Ledge, Michigan*, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Ledge's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based upon our audit, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Rehmann Lohman

MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis

As management of the *City of Grand Ledge, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$15,524,401 (*net assets*). Of this amount, \$1,839,717 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$680,903.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,177,755, a decrease of \$222,465 in comparison with the prior year, all of which is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$363,607 or 12.6% of total general fund revenues and other financing sources.
- The City's total bonded debt decreased by \$416,675 during the current fiscal year; no new or refunding debt was issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, and recreation and culture. The business-type activities of the City include water and sewer enterprise operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street, local street, and parks and recreation grant funds, which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-23 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment maintenance and employee benefits services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer systems fund, which is considered to be a major fund of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-54 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 57-72 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Grand Ledge, assets exceeded liabilities by \$15,524,401 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (82.9 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

[Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.]

City of Grand Ledge's Net Assets

	Governmental activities	Business-type activities	Total
Current and other assets	\$ 1,541,350	\$ 1,945,243	\$ 3,486,593
Capital assets	7,907,478	9,303,280	17,210,758
Total assets	9,448,828	11,248,523	20,697,351
Long-term liabilities outstanding	1,510,859	3,100,123	4,610,982
Other liabilities	333,668	228,300	561,968
Total liabilities	1,844,527	3,328,423	5,172,950
Net assets:			
Invested in capital assets, net of related debt	6,591,737	6,278,799	12,870,536
Restricted	814,148	-	814,148
Unrestricted	198,416	1,641,301	1,839,717
Total net assets	\$ 7,604,301	\$ 7,920,100	\$ 15,524,401

An additional portion of the City's net assets (5.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (11.9 percent or \$1,839,717) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$680,903 during the current fiscal year. This increase is largely attributable to capital grants and contributions.

City of Grand Ledge's Changes in Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$ 472,424	\$ 1,968,871	\$ 2,441,295
Operating grants and contributions	822,303	-	822,303
Capital grants and contributions	531,612	-	531,612
General revenue:			
Property taxes	1,898,928	-	1,898,928
Grants and contributions not restricted to specific programs	769,653	-	769,653
Other	21,587	8,158	29,745
Total revenue	<u>4,516,507</u>	<u>1,977,029</u>	<u>6,493,536</u>
Expenses:			
General government	1,026,713	-	1,026,713
Public safety	1,800,106	-	1,800,106
Highways and streets	699,119	-	699,119
Recreation and culture	239,420	-	239,420
Interest on long-term debt	65,979	-	65,979
Water and sewer	-	1,981,296	1,981,296
Total expenses	<u>3,831,337</u>	<u>1,981,296</u>	<u>5,812,633</u>
Increase in net assets before transfers	685,170	(4,267)	680,903
Transfers	125,136	(125,136)	-
Increase (decrease) in net assets	810,306	(129,403)	680,903
Net assets - beginning of year, as restated	6,793,995	8,049,503	14,843,498
Net assets - end of year	<u>\$ 7,604,301</u>	<u>\$ 7,920,100</u>	<u>\$ 15,524,401</u>

Governmental activities. Governmental activities increased the City's net assets by \$810,306, accounting for 119.0% of the total growth in the net assets of the City. The key element of this increase was \$531,612 of capital grants and contributions.

Business-type activities. Business-type activities decreased the City's net assets by \$129,403. This decrease is approximately equal to five percent of operating revenues for the fiscal year and reflects the extent to which operating expenses and interest costs exceed revenues.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,177,755, a decrease of \$222,465 from the prior year, all of which constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was \$363,607, all of which was unreserved, undesignated. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund revenues. Unreserved fund balance represents 12.6 percent of total general fund revenues and other financing sources. Unreserved fund balance decreased by \$65,627 during the current fiscal year, which was \$49,798 less than planned use of fund balance as provided in the final budget.

The major street fund reported an increase in total fund balance of \$59,055. Original budget estimates anticipated lower revenues and higher expenditures than actually occurred.

The local street fund reported a decrease in total fund balance of \$64,708 to a deficit of \$16,336. Actual revenues and expenditures were greater than original budget estimates as certain street projects began prior to a bond issue that was completed after the fiscal year end. The fund deficit at June 30, 2004 will be eliminated by the bond proceeds in the 2004-05 fiscal year.

The parks and recreation grant fund has no fund balance as of June 30, 2004 since the projects financed with the grant monies were completed by year-end.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer enterprise fund at the end of the year amounted to \$7,921,031. The fund had a decrease in net assets for the year of \$128,472. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor. Changes between original and final budget balances result from the carryover of certain budget appropriations under the City's budgetary policies and several supplemental appropriations.

For the year, general fund budgetary estimates for revenues, expenditures and other financing sources and uses were less than actual, resulting in a net decrease in fund balance that was \$49,798 more than anticipated in the final amended budget.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounted to \$17,210,758 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles and equipment, park facilities, roads, highways, and bridges. Net capital assets for governmental activities increased 11.4%, and for business-type activities decreased by 0.3%. Overall, total net capital assets for the City increased 4.8%.

Major capital asset events during the current fiscal year included the following:

- Land improvements of over \$660,000 through the island restoration grant project.
- Current year infrastructure additions of over \$460,000.

City of Grand Ledge's Capital Assets (net of depreciation)

	Governmental activities	Business-type activities	Total
Land	\$ 1,162,549	\$ 466,214	\$ 1,628,763
Land improvements	1,501,851	-	1,501,851
Buildings and systems	1,314,738	8,509,573	9,824,311
Equipment	72,671	327,493	400,164
Infrastructure	3,855,669	-	3,855,669
Total	\$ 7,907,478	\$ 9,303,280	\$ 17,210,758

Additional information on the City's capital assets can be found in Note 3-C. on pages 41-43 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,918,992. Of this amount, \$2,598,992 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

City of Grand Ledge's Outstanding Debt
General Obligation and Revenue Bonds

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
General obligation bonds	\$ 938,992	\$ 1,660,000	\$ 2,598,992
Revenue bonds	<u>-</u>	<u>1,320,000</u>	<u>1,320,000</u>
Total	<u>\$ 938,992</u>	<u>\$ 2,980,000</u>	<u>\$ 3,918,992</u>

The City's total bonded debt decreased by \$416,675 (9.6 percent) during the current fiscal year, with no new or funding debt issuances. The City did, however, issue \$1,135,000 of limited tax general obligation capital improvement bonds in October 2004. The bond proceeds will be used to finance various street improvement projects within the City.

The City's underlying credit rating for its general obligation unlimited tax bonds is currently A- as rated by Standard & Poors.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$21,614,170, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3-F. on pages 44-49 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2004-05 fiscal year:

- No growth in state shared revenue.
- Limited growth in total controlled revenues.
- Inflationary trends in the region are comparable to national indices.

During the current fiscal year, unreserved undesignated fund balance in the general fund decreased by \$51,428 to \$363,607 (as compared to a decrease in total fund balance of \$65,627).

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 200 East Jefferson, Grand Ledge, Michigan 48837-1537.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Grand Ledge, Michigan
Statement of Net Assets
June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 877,433	\$ 1,002,747	\$ 1,880,180	\$ 631,499
Receivables	743,459	835,553	1,579,012	85,710
Internal balances	(106,943)	106,943	-	-
Prepaid items and other assets	27,401	-	27,401	1,382
Capital assets not being depreciated	1,162,549	466,214	1,628,763	2,834,067
Capital assets being depreciated, net	6,744,929	8,837,066	15,581,995	1,794,341
Total assets	9,448,828	11,248,523	20,697,351	5,346,999
Liabilities				
Accounts payable and accrued expenses	221,585	200,904	422,489	82,563
Accrued interest payable	31,922	27,396	59,318	79,054
Unearned revenue	80,161	-	80,161	99,534
Long-term liabilities:				
Due within one year	191,588	375,553	567,141	516,543
Due in more than one year	1,319,271	2,724,570	4,043,841	6,616,581
Total liabilities	1,844,527	3,328,423	5,172,950	7,394,275
Net Assets				
Invested in capital assets, net of related debt	6,591,737	6,278,799	12,870,536	(2,471,808)
Restricted for:				
Debt service	12,799	-	12,799	4,776
Capital projects	-	-	-	215,037
Perpetual care - nonexpendable	124,054	-	124,054	-
Other purposes	677,295	-	677,295	-
Unrestricted	198,416	1,641,301	1,839,717	204,719
Total net assets (deficit)	\$ 7,604,301	\$ 7,920,100	\$ 15,524,401	\$ (2,047,276)

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Activities
For the Year Ended June 30, 2004

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
General government	\$ 1,026,713	\$ 356,549	\$ 119,121	\$ 6,612	\$ (544,431)
Public safety	1,800,106	21,974	80,332	-	(1,697,800)
Highways and streets	699,119	9,986	610,750	-	(78,383)
Recreation and cultural	239,420	83,915	100	525,000	369,595
Interest on long-term debt	65,979	-	12,000	-	(53,979)
Total governmental activities	<u>3,831,337</u>	<u>472,424</u>	<u>822,303</u>	<u>531,612</u>	<u>(2,004,998)</u>
Business-type activities:					
Water and sewer	1,981,296	1,968,871	-	-	(12,425)
Total primary government	<u>\$ 5,812,633</u>	<u>\$ 2,441,295</u>	<u>\$ 822,303</u>	<u>\$ 531,612</u>	<u>\$ (2,017,423)</u>
Component units					
Emergency services	\$ 711,859	\$ 11,695	\$ 831,289	\$ -	\$ 131,125
Economic development	668,275	-	-	-	(668,275)
Total component units	<u>\$ 1,380,134</u>	<u>\$ 11,695</u>	<u>\$ 831,289</u>	<u>\$ -</u>	<u>\$ (537,150)</u>

continued...

City of Grand Ledge, Michigan
Statement of Activities (Concluded)
For the Year Ended June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (2,004,998)	\$ (12,425)	\$ (2,017,423)	\$ (537,150)
General revenues:				
Property taxes	1,898,928	-	1,898,928	692,338
Grants and contributions not restricted to specific programs	769,653	-	769,653	121,711
Unrestricted investment earnings	21,587	8,158	29,745	4,814
Special items - debt forgiveness	-	-	-	600,000
Transfers - internal activities	125,136	(125,136)	-	-
Total general revenues, special items and transfers	2,815,304	(116,978)	2,698,326	1,418,863
Change in net assets	810,306	(129,403)	680,903	881,713
Net assets (deficit), beginning of year, as restated	6,793,995	8,049,503	14,843,498	(2,928,989)
Net assets (deficit), end of year	\$ 7,604,301	\$ 7,920,100	\$ 15,524,401	\$ (2,047,276)

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

City of Grand Ledge, Michigan
Balance Sheet
Governmental Funds
June 30, 2004

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Parks and Recreation Grant</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<u>ASSETS</u>						
Assets						
Cash and cash equivalents	\$ 42,849	\$ 249,663	\$ 80,821	\$ -	\$ 456,487	\$ 829,820
Receivables:						
Taxes	75,039	-	-	-	26,395	101,434
Special assessments	-	-	-	-	72,326	72,326
Accounts	60,390	-	-	-	10,767	71,157
Note	-	-	-	-	60,196	60,196
Due from other governments	252,236	61,514	22,600	45,500	20,294	402,144
<u>TOTAL ASSETS</u>	<u>\$ 430,514</u>	<u>\$ 311,177</u>	<u>\$ 103,421</u>	<u>\$ 45,500</u>	<u>\$ 646,465</u>	<u>\$ 1,537,077</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ 33,722	\$ 18,032	\$ 116,707	\$ -	\$ 10,687	\$ 179,148
Salaries payable	25,858	1,357	3,050	-	8,842	39,107
Interfund payables	-	-	-	45,500	15,406	60,906
Deferred revenue	7,327	-	-	-	72,834	80,161
Total liabilities	<u>66,907</u>	<u>19,389</u>	<u>119,757</u>	<u>45,500</u>	<u>107,769</u>	<u>359,322</u>
Fund balances						
Unreserved:						
Designated for subsequent year	-	33,792	-	-	99,971	133,763
Undesignated	363,607	257,996	(16,336)	-	-	605,267
Undesignated, reported in nonmajor:						
Special revenue funds	-	-	-	-	301,872	301,872
Debt service funds	-	-	-	-	12,799	12,799
Permanent fund	-	-	-	-	124,054	124,054
Total fund balances (deficit)	<u>363,607</u>	<u>291,788</u>	<u>(16,336)</u>	<u>-</u>	<u>538,696</u>	<u>1,177,755</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 430,514</u>	<u>\$ 311,177</u>	<u>\$ 103,421</u>	<u>\$ 45,500</u>	<u>\$ 646,465</u>	<u>\$ 1,537,077</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2004

Fund balances - total governmental funds **\$ 1,177,755**

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	10,212,300
Deduct - accumulated depreciation	(2,533,759)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	283,965
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(1,315,741)
Deduct - accrued interest on bonds payable	(31,922)
Deduct - compensated absences	<u>(188,297)</u>

Net assets of governmental activities	<u>\$ 7,604,301</u>
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The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General	Major Street	Local Street	Parks and Recreation Grant	Other Governmental Funds	Totals Governmental Funds
Revenue						
Taxes	\$ 1,325,640	\$ -	\$ -	\$ -	\$ 573,288	\$ 1,898,928
Licenses and permits	130,007	-	-	-	-	130,007
Intergovernmental	833,332	415,349	185,348	455,000	27,650	1,916,679
Charges for services	12,408	-	-	-	170,622	183,030
Fines and forfeitures	21,974	-	-	-	-	21,974
Investment income (loss)	8,784	1,452	(62)	-	11,562	21,736
Other	109,845	2,912	7,074	70,000	29,947	219,778
Total revenue	2,441,990	419,713	192,360	525,000	813,069	4,392,132
Expenditures						
Current:						
General government	739,446	-	-	-	179,541	918,987
Public safety	1,688,722	-	-	-	24,435	1,713,157
Highway and streets	68,241	360,658	561,891	-	92,602	1,083,392
Recreation and cultural	-	-	-	-	192,819	192,819
Capital outlay	-	-	-	630,352	55,603	685,955
Debt service:						
Principal	-	-	-	-	123,263	123,263
Interest and fiscal charges	-	-	-	-	73,677	73,677
Total expenditures	2,496,409	360,658	561,891	630,352	741,940	4,791,250
Revenue over (under) expenditures	(54,419)	59,055	(369,531)	(105,352)	71,129	(399,118)
Other financing sources (uses)						
Transfers in	324,734	-	304,823	-	244,829	874,386
Transfers out	(335,459)	-	-	-	(373,791)	(709,250)
Transfers from component units	112,524	-	-	-	12,000	124,524
Transfers to component units	(113,007)	-	-	-	-	(113,007)
Total other financing sources (uses)	(11,208)	-	304,823	-	(116,962)	176,653
Net changes in fund balances	(65,627)	59,055	(64,708)	(105,352)	(45,833)	(222,465)
Fund balances, beginning of year, as restated	429,234	232,733	48,372	105,352	584,529	1,400,220
Fund balances (deficit), end of year	\$ 363,607	\$ 291,788	\$ (16,336)	\$ -	\$ 538,696	\$ 1,177,755

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds **\$ (222,465)**

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	1,124,494
Deduct - depreciation expense	(276,837)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	123,263
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An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add - investment income (loss) from governmental internal service funds	(149)
Deduct - transfer out from governmental internal service funds	(40,000)
Add - net operating income from governmental activities in internal service funds	30,321

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	7,698
Add - decrease in the accrual for compensated absences	63,981
	63,981

Change in net assets of governmental activities	\$ 810,306
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The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 1,334,253	\$ 1,329,534	\$ 1,325,640	\$ (3,894)
Licenses and permits	163,120	166,120	130,007	(36,113)
Intergovernmental	929,081	878,047	833,332	(44,715)
Charges for services	9,000	9,000	12,408	3,408
Fines and forfeitures	22,000	22,000	21,974	(26)
Interest	20,000	20,000	8,784	(11,216)
Other	31,000	38,800	109,845	71,045
Total revenues	2,508,454	2,463,501	2,441,990	(21,511)
Expenditures				
General government				
Legislative	11,975	12,975	12,362	(613)
Tax sharing	20,000	17,000	5,552	(11,448)
Cable TV	6,085	4,185	3,888	(297)
City administrator	156,576	170,476	175,543	5,067
Economic development	70,764	60,100	41,879	(18,221)
Elections	14,225	3,933	4,255	322
Accounting	16,000	18,800	18,800	-
Assessing	72,837	71,331	71,322	(9)
Attorney	29,800	35,583	32,693	(2,890)
City clerk	83,970	84,170	86,444	2,274
Finance	148,386	133,386	132,819	(567)
City hall	95,475	102,660	100,313	(2,347)
Recycling	30,600	30,433	30,341	(92)
Other	18,595	24,482	23,235	(1,247)
Total general government	775,288	769,514	739,446	(30,068)
Public safety				
Police	1,133,500	1,138,163	1,099,891	(38,272)
Fire	436,166	436,166	445,147	8,981
Building inspection	123,520	123,520	84,587	(38,933)
Planning commission	5,970	6,231	4,534	(1,697)
Zoning	54,965	52,627	54,563	1,936
Total public safety	1,754,121	1,756,707	1,688,722	(67,985)
Highway and streets				
Street lighting	67,000	73,000	68,241	(4,759)
Total expenditures	2,596,409	2,599,221	2,496,409	(102,812)
Revenues over (under) expenditures	(87,955)	(135,720)	(54,419)	81,301

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>	
Other financing sources (uses)					
Transfers in	\$ 321,108	\$ 324,754	\$ 324,734	\$	(20)
Transfers out	(319,465)	(335,465)	(335,459)		6
Transfers from component units	117,983	93,609	112,524		18,915
Transfers to component units	(178,000)	(113,007)	(113,007)		-
Proceeds from sales of capital assets	150,000	150,000	-		(150,000)
Total other sources (uses)	<u>91,626</u>	<u>119,891</u>	<u>(11,208)</u>		<u>(131,099)</u>
Net change in fund balance	3,671	(15,829)	(65,627)		(49,798)
Fund balance, beginning of year, as restated	<u>429,234</u>	<u>429,234</u>	<u>429,234</u>		<u>-</u>
Fund balance, end of year	<u>\$ 432,905</u>	<u>\$ 413,405</u>	<u>\$ 363,607</u>	<u>\$</u>	<u>(49,798)</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Major Street
For the Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	362,483	362,483	415,349	52,866
Charges for services	-	-	-	-
Interest	1,500	1,500	1,452	(48)
Other	-	-	2,912	2,912
Total revenues	363,983	363,983	419,713	55,730
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	330,403	424,253	360,658	(63,595)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	330,403	424,253	360,658	(63,595)
Revenues over (under) expenditures	33,580	(60,270)	59,055	119,325
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	33,580	(60,270)	59,055	119,325
Fund balance, beginning of year	232,733	232,733	232,733	-
Fund balance, end of year	\$266,313	\$ 172,463	\$291,788	\$ 119,325

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Local Street
For the Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	132,277	132,277	185,348	53,071
Charges for services	-	-	-	-
Interest	250	250	(62)	(312)
Other	-	-	7,074	7,074
Total revenues	<u>132,527</u>	<u>132,527</u>	<u>192,360</u>	<u>59,833</u>
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	440,773	448,026	561,891	113,865
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>440,773</u>	<u>448,026</u>	<u>561,891</u>	<u>113,865</u>
Revenues over (under) expenditures	<u>(308,246)</u>	<u>(315,499)</u>	<u>(369,531)</u>	<u>(54,032)</u>
Other financing sources (uses)				
Transfers in	304,823	304,823	304,823	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>304,823</u>	<u>304,823</u>	<u>304,823</u>	<u>-</u>
Net change in fund balance	(3,423)	(10,676)	(64,708)	(54,032)
Fund balance, beginning of year	<u>48,372</u>	<u>48,372</u>	<u>48,372</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 44,949</u>	<u>\$ 37,696</u>	<u>\$ (16,336)</u>	<u>\$ (54,032)</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Parks & Recreation Grant
For the Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	455,000	455,000	455,000	-
Charges for services	-	-	-	-
Interest	100	100	-	(100)
Other	85,000	85,000	70,000	(15,000)
	<u>540,100</u>	<u>540,100</u>	<u>525,000</u>	<u>(15,100)</u>
Total revenues				
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	630,000	630,000	630,352	352
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>630,000</u>	<u>630,000</u>	<u>630,352</u>	<u>352</u>
Total expenditures				
Revenues over (under) expenditures	<u>(89,900)</u>	<u>(89,900)</u>	<u>(105,352)</u>	<u>(15,452)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balance	(89,900)	(89,900)	(105,352)	(15,452)
Fund balance, beginning of year	105,352	105,352	105,352	-
Fund balance, end of year	<u>\$ 15,452</u>	<u>\$ 15,452</u>	<u>\$ -</u>	<u>\$ (15,452)</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Net Assets
Proprietary Funds
June 30, 2004

	<u>Business-type Activities Water and Sewer Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,002,747	\$ 47,613
Interfund receivables	107,874	-
Accounts receivable	800,945	36,202
Due from component unit	34,608	-
Prepaid items	-	27,401
Total current assets	<u>1,946,174</u>	<u>111,216</u>
Noncurrent assets:		
Capital assets, net	<u>9,303,280</u>	<u>228,937</u>
Total assets	<u>11,249,454</u>	<u>340,153</u>
Liabilities		
Current liabilities:		
Accounts payable	185,107	1,875
Salaries payable	15,797	1,455
Interfund payables	-	46,968
Accrued interest payable	27,396	-
Accrued compensated absences	24,662	1,366
Bonds and installment purchases payable, current portion	350,891	-
Total current liabilities	<u>603,853</u>	<u>51,664</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	50,980	5,455
Bonds and installment purchases payable, net of current portion	2,673,590	-
Total noncurrent liabilities	<u>2,724,570</u>	<u>5,455</u>
Total liabilities	<u>3,328,423</u>	<u>57,119</u>
Net assets, unrestricted	7,921,031	<u>\$ 283,034</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(931)</u>	
Net assets of business-type activities on the government-wide statement of net assets	<u>\$ 7,920,100</u>	

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Operating revenues		
Charges for services:		
Water operations	\$ 961,638	\$ -
Sewer operations	1,007,233	-
Internal operations	-	638,728
Other revenue	43,196	3,640
Total operating revenues	<u>2,012,067</u>	<u>642,368</u>
Operating expenses		
Personnel	668,185	524,352
Repair and maintenance	199,374	34,534
Utilities	105,877	4,246
Contractual	180,003	-
Other	324,900	14,179
Depreciation	379,271	35,667
Total operating expenses	<u>1,857,610</u>	<u>612,978</u>
Operating income	<u>154,457</u>	<u>29,390</u>
Non-operating revenue (expense)		
Investment income (loss)	8,158	(149)
Interest expense	(165,951)	-
Total non-operating expense	<u>(157,793)</u>	<u>(149)</u>
Income before transfers	(3,336)	29,241
Transfers out	<u>(125,136)</u>	<u>(40,000)</u>
Change in net assets	(128,472)	(10,759)
Net assets, beginning of year, as restated	<u>8,049,503</u>	<u>293,793</u>
Net assets, end of year	<u>\$ 7,921,031</u>	<u>\$ 283,034</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	<u>Business-type Activities Water and Sewer Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
Cash flows from operating activities		
Cash received from customers	\$ 2,391,506	\$ -
Cash received from interfund services	-	593,972
Cash payments to suppliers for goods and services	(915,880)	(510,697)
Cash payments to employees	(489,416)	(62,791)
Cash payments for interfund services	(265,888)	-
	<u>720,322</u>	<u>20,484</u>
Cash flows from non-capital financing activities		
Transfers to other funds	(125,136)	(40,000)
Cash flows from capital and related financing activities		
Acquisition of capital assets	(354,239)	-
Long-term debt principal payments	(286,619)	-
Interest payments on long-term debt	(167,973)	-
Net cash (used) by capital and related financing activities	(808,831)	-
Cash flows from investing activities		
Interest on investments	8,158	(149)
Net decrease in cash and cash equivalents	(205,487)	(19,665)
Cash and cash equivalents:		
Beginning of year	1,208,234	67,278
End of year	<u>\$ 1,002,747</u>	<u>\$ 47,613</u>

Continued...

City of Grand Ledge, Michigan
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2004

	<u>Business-type Activities</u> <u>Water and Sewer Enterprise Fund</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 154,457	\$ 29,390
Adjustments to reconcile operating income to net cash provided by operation activities:		
Depreciation	379,271	35,667
Change in assets and liabilities:		
Accounts receivable	379,439	(741)
Prepaid expenses	-	(256)
Accounts payable	(105,726)	(1,954)
Salaries payable	12,780	1,132
Due to other funds	-	-
Interfund borrowing	(107,874)	(44,756)
Accrued compensated absences	<u>7,975</u>	<u>2,002</u>
Net cash provided by operating activities	<u><u>\$ 720,322</u></u>	<u><u>\$ 20,484</u></u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2004

	<u>Total</u>
Assets	
Cash and cash equivalents	\$ 143,624
Taxes receivable	<u>3,139</u>
Total assets	<u><u>\$ 146,763</u></u>
Liabilities	
Accounts payable	\$ 16,943
Undistributed taxes	<u>129,820</u>
Total liabilities	<u><u>\$ 146,763</u></u>

The accompanying notes are an integral part of these financial statements.

COMPONENT UNITS
FINANCIAL STATEMENTS

City of Grand Ledge, Michigan
Combining Statement of Net Assets
Component Units
June 30, 2004

	Downtown Development Authority	Local Development Finance Authority	Grand Ledge Area Emergency Services Authority	Total
Assets				
Cash and cash equivalents	\$ 227,474	\$ 143,670	\$ 260,355	\$ 631,499
Receivables	77,649	-	8,061	85,710
Prepaid items and other assets	-	-	1,382	1,382
Capital assets not being depreciated	48,892	2,785,175	-	2,834,067
Capital assets being depreciated, net	1,100,800	-	693,541	1,794,341
Total assets	1,454,815	2,928,845	963,339	5,346,999
Liabilities				
Accounts payable and accrued expenses	5,472	40,150	36,941	82,563
Accrued interest payable	33,286	43,270	2,498	79,054
Unearned revenue	57,938	-	41,596	99,534
Long-term liabilities:				
Due within one year	313,850	123,287	79,406	516,543
Due in more than one year	4,057,600	2,215,419	343,562	6,616,581
Total liabilities	4,468,146	2,422,126	504,003	7,394,275
Net Assets				
Invested in capital assets, net of related debt	(3,221,758)	446,469	303,481	(2,471,808)
Restricted for:				
Debt service	4,776	-	-	4,776
Capital projects	215,037	-	-	215,037
Unrestricted (deficit)	(11,386)	60,250	155,855	204,719
Total net assets (deficit)	\$ (3,013,331)	\$ 506,719	\$ 459,336	\$ (2,047,276)

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2004

	Downtown Development Authority	Local Development Finance Authority	Grand Ledge Area Emergency Services Authority	Total
Expenses				
Emergency services	\$ -	\$ -	\$ 693,774	\$ 693,774
Economic development	266,883	106,188	-	373,071
Interest on long-term debt	204,794	90,410	18,085	313,289
Total expenses	471,677	196,598	711,859	1,380,134
Program revenues				
Charges for services	-	-	11,695	11,695
Operating grants and contributions	-	-	831,289	831,289
Total program revenues	-	-	842,984	842,984
Net program revenues (expense)	(471,677)	(196,598)	131,125	(537,150)
General revenues				
Property taxes	692,338	-	-	692,338
Grants and contributions not restricted to specific programs	8,704	113,007	-	121,711
Unrestricted investment earnings	4,044	(216)	986	4,814
Special items - debt forgiveness	-	600,000	-	600,000
Total general revenues and special items	705,086	712,791	986	1,418,863
Change in net assets	233,409	516,193	132,111	881,713
Net assets (deficit), beginning of year, as restated	(3,246,740)	(9,474)	327,225	(2,928,989)
Net assets (deficit), end of year	\$ (3,013,331)	\$ 506,719	\$ 459,336	\$ (2,047,276)

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

CITY OF GRAND LEDGE, MICHIGAN

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Notes to the Financial Statements

June 30, 2004

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CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Grand Ledge, Michigan is a municipal corporation governed by a seven-member council and administered by an appointed City Administrator. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The government has no blended component units; the discretely presented component units have June 30 year-ends.

Discretely presented component units.

The City of Grand Ledge Downtown Development Authority (DDA) was established under Public Act 197 of 1975 to revitalize and plan for controlled development of the downtown business district. The government's council appoints the members of the DDA's governing board. The DDA is also fiscally dependent upon the City because the government's council approves the DDA's budget and any debt issuances. Financial statements for the DDA may be obtained from the City of Grand Ledge.

The City of Grand Ledge Local Development Finance Authority (LDFA) was established under Public Act 281 of 1986 to preserve and promote the continued growth of the City and the LDFA district. The government's council appoints the members of the LDFA's governing board. The LDFA is also fiscally dependent upon the City because the government's council approves the LDFA's budget and any debt issuances.

The activities of the LDFA are accounted for in a single fund; accordingly, separate financial statements are not issued for it.

The Grand Ledge Area Emergency Services Authority (GLAESA) was established on October 1, 2001 under the provisions of Public Act 57 of 1988 to provide fire protection and rescue services within the boundaries of the City of Grand Ledge and the Township of Oneida (the incorporating municipalities). GLAESA is governed by a five-member board consisting of three members appointed by the City and two by the Township. GLAESA relies on funding for its operations from the City and Township. Financial statements for GLAESA may be obtained by writing the Authority at 500 North Clinton Street, Grand Ledge, Michigan 48837.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major street fund* accounts for the use of motor fuel taxes and trunkline maintenance funds, which are earmarked by State statute for major street and highway purposes.

The *local street fund* accounts for the use of motor fuel taxes, which are earmarked by State statute for local street and highway purposes.

The *parks and recreation grant fund* accounts for the use of grant monies to restore the island park.

The government reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the government reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Permanent fund. This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Internal service funds. These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes equipment management and employee medical management services.

Agency funds. These funds account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater and water enterprise fund and of the government's internal service funds are charges to customers for sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

D. Assets, liabilities and net assets/equity

1. *Deposits and investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments, if any, are reported at fair value.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and plants	20-40
Public domain infrastructure	50
System infrastructure	50
Vehicles	5-10
Equipment	3-15

5. *Compensated absences*

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate an unlimited amount of sick leave, which is paid only upon illness while in the employ of the City or upon retirement. Payment for sick leave upon retirement is capped at \$5,000. Earned vacation time may be accumulated for up to two years. Employees are only paid for unused vacation at the time of termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. **Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Prior to the first regular Council meeting in April, the budget officer submits to the Council a proposed budget for the fiscal year beginning the following July 1. A public hearing is then conducted to obtain citizen comments. No later than the first Council meeting in June, the budget is required to be legally enacted through passage of a resolution.

The budget for the General Fund is adopted at the department level; all other budgets are adopted on a functional level. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders, contracts) outstanding at year-end, if any, are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. **Excess of expenditures over appropriations**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2004, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

	<u>Amended</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General government:			
City administrator	\$ 170,476	\$ 175,543	\$ (5,067)
Elections	3,933	4,255	(322)
City clerk	84,170	86,444	(2,274)
Public safety - Fire	436,166	445,147	(8,981)
Local Street Fund -			
Highways and streets	448,026	561,891	(113,865)
Parks & Recreation Grant Fund -			
Capital outlay	630,000	630,352	(352)
Cemetery Fund -			
General government:	149,896	155,367	(5,471)
Debt service - principal	8,142	15,822	(7,680)
Debt service - interest	4,101	8,661	(4,560)
Airport Development Fund -			
General government:	18,200	24,174	(5,974)
Debt service - principal	8,586	8,883	(297)

C. Deficit fund equity

The local street and cemetery special revenue funds had fund balance deficits of \$16,336 and \$9,191, respectively, as of June 30, 2004. A plan to eliminate these deficits will be prepared by the City and filed with the State of Michigan.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year-end, the carrying amounts of deposits for the City and component units were \$1,637,729 and \$631,499, respectively. The combined bank balance was \$2,291,101. Of the bank balance, \$300,000 was covered by federal depository insurance. The remaining balance of \$1,991,101 was uninsured and uncollateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the government evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments, if any, are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

At year-end, the City's investments of \$385,925 were limited to money market accounts, which are not subject to credit risk categorization.

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

	<u>Primary Government</u>	<u>Component Units</u>
Statement of Net Assets		
Cash and cash equivalents	\$ 1,880,180	\$ 631,499
Statement of Fiduciary Net Assets		
Cash and cash equivalents	<u>143,624</u>	<u>-</u>
	<u>\$ 2,023,804</u>	<u>\$ 631,499</u>
Bank deposits (checking and savings accounts)	\$ 1,637,729	\$ 631,499
Investments in money market accounts	385,925	-
Cash on hand	<u>150</u>	<u>-</u>
	<u>\$ 2,023,804</u>	<u>\$ 631,499</u>

B. Receivables

Receivables in the governmental activities are 54 percent due from other governments and 46 percent other receivables. Business-type activities receivables are composed entirely of amounts due from customers.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2004 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,162,549	\$ -	\$ -	\$ 1,162,549
Capital assets, being depreciated:				
Land improvements	987,311	662,418	-	1,649,729
Buildings	1,949,661	-	-	1,949,661
Equipment	1,048,767	-	-	1,048,767
Infrastructure	4,630,080	462,076	-	5,092,156
Total capital assets being depreciated	<u>8,615,819</u>	<u>1,124,494</u>	<u>-</u>	<u>9,740,313</u>
Less accumulated depreciation for:				
Land improvements	(106,692)	(41,186)	-	(147,878)
Buildings	(576,355)	(58,568)	-	(634,923)
Equipment	(865,190)	(110,906)	-	(976,096)
Infrastructure	(1,134,643)	(101,844)	-	(1,236,487)
Total accumulated depreciation	<u>(2,682,880)</u>	<u>(312,504)</u>	<u>-</u>	<u>(2,995,384)</u>
Total capital assets, being depreciated, net	<u>5,932,939</u>	<u>811,990</u>	<u>-</u>	<u>6,744,929</u>
Governmental activities capital assets, net	<u>\$ 7,095,488</u>	<u>\$ 811,990</u>	<u>\$ -</u>	<u>\$ 7,907,478</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 466,214	\$ -	\$ -	\$ 466,214
Capital assets, being depreciated:				
Buildings and systems	13,063,272	244,645	-	13,307,917
Equipment	1,169,340	109,594	-	1,278,934
Total capital assets being depreciated	<u>14,232,612</u>	<u>354,239</u>	<u>-</u>	<u>14,586,851</u>
Less accumulated depreciation for:				
Buildings and systems	(4,497,372)	(300,972)	-	(4,798,344)
Equipment	(873,142)	(78,299)	-	(951,441)
Total accumulated depreciation	<u>(5,370,514)</u>	<u>(379,271)</u>	<u>-</u>	<u>(5,749,785)</u>
Total capital assets, being depreciated, net	<u>8,862,098</u>	<u>(25,032)</u>	<u>-</u>	<u>8,837,066</u>
Business-type activities capital assets, net	<u>\$ 9,328,312</u>	<u>\$ (25,032)</u>	<u>\$ -</u>	<u>\$ 9,303,280</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 44,517
Public safety	61,581
Highways, including depreciation of general infrastructure assets	121,950
Parks and recreation	48,789
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>35,667</u>

Total depreciation expense - governmental activities	<u>\$ 312,504</u>
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Business-type activities -

Water and sewer	<u>\$ 379,271</u>
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Discretely presented component units

Capital assets activity for the discretely presented component units for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Downtown Development Authority				
Capital assets, not being depreciated:				
Land	\$ -	\$ 48,892	\$ -	\$ 48,892
Capital assets, being depreciated:				
Land improvements	1,157,785	17,936	-	1,175,721
Less accumulated depreciation for:				
Land improvements	<u>(27,892)</u>	<u>(47,029)</u>	<u>-</u>	<u>(74,921)</u>
Total capital assets, being depreciated, net	<u>1,129,893</u>	<u>(29,093)</u>	<u>-</u>	<u>1,100,800</u>
DDA capital assets, net	<u>\$ 1,129,893</u>	<u>\$ 19,799</u>	<u>\$ -</u>	<u>\$ 1,149,692</u>
Local Development Finance Authority				
Capital assets, not being depreciated:				
Land	<u>\$ 3,025,233</u>	<u>\$ 32,852</u>	<u>\$ (272,910)</u>	<u>\$ 2,785,175</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Grand Ledge Area Emergency Services Authority				
Capital assets, being depreciated:				
Equipment	\$ 827,522	\$ 103,822	\$ -	\$ 931,344
Less accumulated depreciation for:				
Equipment	(148,162)	(89,641)	-	(237,803)
 GLAESA capital assets, net	 <u>\$ 679,360</u>	 <u>\$ 14,181</u>	 <u>\$ -</u>	 <u>\$ 693,541</u>

D. Payables

Payables in the governmental activities are 82 percent vendors and 18 percent payroll and deposits. Business-type activities payables are 92 percent vendors and 8 percent payroll and deposits.

E. Interfund receivables, payables and transfers

At June 30, 2004, the following amounts were payable to:

	<u>Water and Sewer Fund</u>
Parks and recreation grant fund	\$ 45,500
Nonmajor governmental funds	15,406
Internal service funds	<u>46,968</u>
	 <u><u>\$ 107,874</u></u>

The above interfund balances reflect negative cash pool balances covered by the water and sewer enterprise fund.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

For the year ended June 30, 2004, interfund transfers consisted of the following:

	<u>Transfer from:</u>				
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Internal Service Funds</u>	<u>Total</u>
Transfer to:					
General fund	\$ -	\$ 159,598	\$ 125,136	\$ 40,000	\$ 324,734
Local street	134,557	170,266	-	-	304,823
Nonmajor governmental	200,902	43,927	-	-	224,829
	<u>\$ 335,459</u>	<u>\$ 373,791</u>	<u>\$ 125,136</u>	<u>\$ 40,000</u>	<u>\$ 874,386</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Long-term debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities as well as the component unit. The original amount of general obligation bonds issued in prior years for the governmental and business-type activities debt listed below was \$3,265,121. No general obligation bonds were issued during the current year.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities		
1997 drain	6.27%	\$ 156,060
1997 drain	6.27%	74,962
2001 drain	5.0-5.3%	327,970
2001 bridge improvement	4.1-6.0%	380,000
		<u>\$ 938,992</u>
Business-type activities		
1995 water supply	5.0-7.07%	<u>\$ 1,660,000</u>
Component units		
DDA		
1998 refunding	4.25-4.850%	\$ 3,045,000
2001 parking lot	4.0-4.875%	1,120,000
LDFA		
2001 transportation	4.83%	245,000
2002 capital improvement	5.0-7.0%	485,000
		<u>\$ 4,895,000</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 76,675	\$ 43,196	\$ 125,000	\$ 94,382	\$ 330,000	\$ 226,212
2006	76,675	39,486	135,000	88,008	340,000	211,537
2007	76,675	35,774	140,000	80,920	355,000	196,597
2008	76,675	32,063	140,000	73,360	370,000	180,972
2009	76,675	28,547	140,000	65,660	390,000	164,494
2010-2014	345,617	91,548	700,000	208,040	1,935,000	556,297
2015-2019	120,000	41,428	280,000	25,200	840,000	178,678
2020-2024	90,000	9,254	-	-	335,000	30,571
	<u>\$ 938,992</u>	<u>\$ 321,296</u>	<u>\$ 1,660,000</u>	<u>\$ 635,570</u>	<u>\$ 4,895,000</u>	<u>\$ 1,745,358</u>

Revenue bonds. The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years for the item listed below was \$2,825,192. No revenue bonds were issued during the current year. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities		
1990 water	6.75%	\$ 560,000
1992 water	2.0%	760,000
		<u>\$ 1,320,000</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Principal	Interest
2005	\$ 220,000	\$ 53,000
2006	220,000	41,950
2007	220,000	30,900
2008	220,000	19,850
2009	85,000	8,800
2010-2014	355,000	17,900
	<u>\$ 1,320,000</u>	<u>\$ 172,400</u>

Purchase agreements. The government has entered into various installment purchase agreements for the acquisition of real property and equipment. The original amount of these obligations for the primary government was \$605,345. One new purchase agreement was entered into during the current year for \$62,745.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities		
1998 purchase contract (River Street)	5.19%	\$ 40,600
2001 purchase contract (Osmer Property)	5.20%	200,800
2001 loan (Cemetery)	6.00%	60,196
2001 loan (Abrams Airport)	5.50%	75,153
		<u>\$ 376,749</u>
Business-type activities		
2004 purchase contract (Caterpillar)	4.05%	<u>\$ 55,756</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Component units		
DDA		
1998 purchase contract (Larson)	5.0%	\$ 72,750
1998 purchase contract (Kingroy)	5.0%	133,700
LDFA		
1998 purchase agreement (Olinger Property)	4.62%	62,000
2001 loan (Installment)	5.0%	95,128
2001 loan (State of Michigan)	4.0%	600,000
2002 purchase agreement (Willis Property)	5.24%	851,578
GLAESA		
Fire apparatus	0.0-4.76%	390,060
		<u>\$ 2,205,216</u>

Annual debt service requirements to maturity for purchase agreements are as follows:

Year Ended	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Units</u>	
June 30	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 44,392	\$ 20,549	\$ 5,891	\$ 2,146	\$ 170,089	\$ 71,339
2006	45,653	17,890	6,134	1,903	162,550	67,366
2007	46,731	15,416	6,387	1,650	1,006,738	63,207
2008	181,737	12,879	6,650	1,386	159,256	21,737
2009	22,194	3,316	30,694	665	163,369	17,194
2010-2014	36,042	2,731	-	-	543,214	37,325
	<u>\$ 376,749</u>	<u>\$ 72,781</u>	<u>\$ 55,756</u>	<u>\$ 7,750</u>	<u>\$ 2,205,216</u>	<u>\$ 278,168</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental activities					
General obligation bonds	\$ 1,010,667	\$ -	\$ 71,675	\$ 938,992	\$ 76,675
Purchase agreements	428,337	-	51,588	376,749	44,392
Compensated absences	259,304	-	64,186	195,118	70,521
	<u>\$ 1,698,308</u>	<u>\$ -</u>	<u>\$ 187,449</u>	<u>\$ 1,510,859</u>	<u>\$ 191,588</u>
Business-type activities					
General obligation bonds	\$ 1,715,000	\$ -	\$ 55,000	\$ 1,660,000	\$ 125,000
Revenue bonds	1,610,000	-	290,000	1,320,000	220,000
Purchase agreements	-	62,745	6,989	55,756	5,891
Compensated absences	67,667	7,975	-	75,642	24,662
Deduct deferred amounts for bond issuance costs	(13,900)	-	(2,625)	(11,275)	-
	<u>\$ 3,378,767</u>	<u>\$ 70,720</u>	<u>\$ 349,364</u>	<u>\$ 3,100,123</u>	<u>\$ 375,553</u>
Component Units					
DDA					
General obligation bonds	\$ 4,445,000	\$ -	\$ 280,000	\$ 4,165,000	\$ 295,000
Purchase agreements	224,500	-	18,050	206,450	18,850
	<u>\$ 4,669,500</u>	<u>\$ -</u>	<u>\$ 298,050</u>	<u>\$ 4,371,450</u>	<u>\$ 313,850</u>
LDFA					
General obligation bonds	\$ 765,000	\$ -	\$ 35,000	\$ 730,000	\$ 35,000
Purchase agreements	2,229,579	-	620,873	1,608,706	88,287
	<u>\$ 2,994,579</u>	<u>\$ -</u>	<u>\$ 655,873</u>	<u>\$ 2,338,706</u>	<u>\$ 123,287</u>
GLAESA					
Purchase agreements	\$ 451,149	\$ -	\$ 61,089	\$ 390,060	\$ 62,952
Compensated absences	30,044	2,864	-	32,908	16,454
	<u>\$ 481,193</u>	<u>\$ 2,864</u>	<u>\$ 61,089</u>	<u>\$ 422,968</u>	<u>\$ 79,406</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2004, the government carried insurance through various commercial carriers to cover all risks of losses, except for employee dental, optical and prescription benefits for which the City was self-insured. The government has had no settled claims from these risks that exceeded its commercial coverage in any of the past three fiscal years.

The claims incurred and payments made are presented below:

	<u>2004</u>	<u>2003</u>
Incurred claims	\$ 108,924	\$ 108,393
Paid claims	108,924	108,383

B. Property taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 30; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Eaton County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for the 2003 levy were assessed and equalized at \$162,794,600 (not including properties subject to Industrial Facilities Tax exemption), representing roughly 50% of estimated current market value. The government's general operating tax rate for fiscal year 2003-04 was 8.2635 mills, with an additional 2.4789 mills for municipal streets and 0.8262 mills for recreation.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Grand Ledge, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

C. Pension plan

The City of Grand Ledge Group Pension Plan is a defined contribution pension plan established by the City to provide retirement benefits to all participating full-time employees of the City. Plan provisions and contribution requirements are established and may be amended by the City Council. Employees may contribute up to 15% of their gross earnings to the plan. The City is required to contribute 5% of employee gross earnings and to match 100% of the first 5% and 50% of the next 10% of employee contributions. The City's maximum contribution does not exceed 15%. Employee contributions vest immediately, whereas employer contributions vest at a rate of 20% per year.

The payroll for employees covered by the plan for the year ended June 30, 2004 was \$1,669,063, as compared to the City's total payroll of \$1,899,401. For fiscal 2004, the City's contribution was \$200,900 (or 12.04% of covered payroll). Employee contributions were \$161,657 (or 9.69% of covered payroll).

D. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

E. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees that bear a reasonable relationship to the cost of operating their building departments. The City's fee structure is not intended to fully recover its costs, and accordingly, the operations of the City's building department are accounted for in the General Fund.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

For the year ended June 30, 2004, the City's revenue and expenditures related to its building department were as follows:

Revenue

Building permits	<u>\$ 83,833</u>
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Expenditures

Public safety - inspection	<u>\$ 84,587</u>
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F. Restatements

The beginning net assets of the Water and Sewer Enterprise Fund and the Local Development Finance Authority (component unit) were reduced by \$29,418 and \$57,703, respectively, to properly recognize accrued interest payable not recorded in the prior year.

As of and for the year ended June 30, 2004, the City implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The City was required to implement the new requirements no later than the current fiscal year ending June 30, 2004.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning fund balance and net asset accounts.

Fund financial statements. Amounts previously reported as contributed capital in the proprietary funds were reclassified as net assets. In addition, following the guidance found in GASB 34, the beginning fund balance of the General Fund was increased by \$90,847 for the removal of the liability for accrued compensated absences.

Government-wide financial statements. Beginning net assets for governmental activities were determined as follows:

Fund balances of governmental funds as of 6/30/03, as restated	\$ 1,400,220
Add: net assets of internal service funds used in governmental activities as of 6/30/03	293,793
Add: governmental capital assets, including land and buildings as of 6/30/03	9,087,805
Deduct: accumulated depreciation as of 6/30/03 on above governmental capital assets	(2,256,921)
Deduct: long-term debt as of 6/30/03	(1,439,004)
Deduct: accrued compensated absences as of 6/30/03	(252,278)
Deduct: accrued interest payable on general obligation bonds as of 6/30/03	<u>(39,620)</u>
Governmental net assets, restated, as of 7/1/2003	<u>\$ 6,793,995</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

G. Subsequent Events

In October 2004, the City issued \$1,135,000 of limited tax general obligation capital improvement bonds to finance various street improvement projects within the City.

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COMBINING and INDIVIDUAL FUND FINANCIAL
STATEMENTS and SCHEDULES

**City of Grand Ledge, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

<u>Special Revenue Funds</u>						
	<u>Municipal Street</u>	<u>Parks and Recreation</u>	<u>Cemetery</u>	<u>EMS</u>	<u>Sidewalk</u>	<u>Drug Forfeiture</u>
<u>ASSETS</u>						
Assets						
Cash and cash equivalents	\$ 95,834	\$ 170,602	\$ -	\$ -	\$ 21,951	\$ 5,247
Taxes receivable	19,618	6,777	-	-	-	-
Special assessments receivable	70,451	-	-	-	-	-
Accounts receivable	-	-	2,034	-	8,733	-
Notes receivable	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL ASSETS</u>	<u>\$ 185,903</u>	<u>\$ 177,379</u>	<u>\$ 2,034</u>	<u>\$ -</u>	<u>\$ 30,684</u>	<u>\$ 5,247</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ 265	\$ 8,053	\$ 1,483	\$ -	\$ -	\$ 56
Salaries payable	1,115	5,792	1,935	-	-	-
Interfund payables	-	-	7,807	-	-	-
Deferred revenue	72,005	829	-	-	-	-
Total liabilities	<u>73,385</u>	<u>14,674</u>	<u>11,225</u>	<u>-</u>	<u>-</u>	<u>56</u>
Fund balances						
Designated for subsequent year expenditures	1,942	6,956	15,965	-	8,650	-
Unreserved, undesignated	110,576	155,749	(25,156)	-	22,034	5,191
Total fund balances	<u>112,518</u>	<u>162,705</u>	<u>(9,191)</u>	<u>-</u>	<u>30,684</u>	<u>5,191</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 185,903</u>	<u>\$ 177,379</u>	<u>\$ 2,034</u>	<u>\$ -</u>	<u>\$ 30,684</u>	<u>\$ 5,247</u>

Special Revenue Funds				Debt Service Funds		Permanent Fund	Total
ACT 33 Special Assessment	Project D.A.R.E.	Airport Development	Juvenile Justice Grant	Island Bridge	Storm Drain	Cemetery Trust	
\$ 5,720	\$ 4,009	\$ 88,467	\$ -	\$ 799	\$ -	\$ 63,858	\$ 456,487
-	-	-	-	-	-	-	26,395
1,875	-	-	-	-	-	-	72,326
-	-	-	-	-	-	-	10,767
-	-	-	-	-	-	60,196	60,196
-	-	-	8,294	12,000	-	-	20,294
<u>\$ 7,595</u>	<u>\$ 4,009</u>	<u>\$ 88,467</u>	<u>\$ 8,294</u>	<u>\$ 12,799</u>	<u>\$ -</u>	<u>\$ 124,054</u>	<u>\$ 646,465</u>
\$ -	\$ -	\$ 135	\$ 695	\$ -	\$ -	\$ -	\$ 10,687
-	-	-	-	-	-	-	8,842
-	-	-	7,599	-	-	-	15,406
-	-	-	-	-	-	-	72,834
-	-	135	8,294	-	-	-	107,769
-	500	65,958	-	-	-	-	99,971
7,595	3,509	22,374	-	12,799	-	124,054	438,725
<u>7,595</u>	<u>4,009</u>	<u>88,332</u>	<u>-</u>	<u>12,799</u>	<u>-</u>	<u>124,054</u>	<u>538,696</u>
<u>\$ 7,595</u>	<u>\$ 4,009</u>	<u>\$ 88,467</u>	<u>\$ 8,294</u>	<u>\$ 12,799</u>	<u>\$ -</u>	<u>\$ 124,054</u>	<u>\$ 646,465</u>

City of Grand Ledge, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue Funds					
	Municipal Street	Parks and Recreation	Cemetery	EMS	Sidewalk	Drug Forfeiture
Revenues						
Taxes	\$ 383,390	\$ 123,744	\$ -	\$ -	\$ 20,843	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	64,484	70,865	-	-	-
Interest	1,324	58	(5)	(21)	177	38
Other	10,053	19,531	363	-	-	-
Total revenue	394,767	207,817	71,223	(21)	21,020	38
Expenditures						
General government	-	-	155,367	-	-	-
Public safety	-	-	-	-	-	225
Highways and streets	39,444	-	-	-	53,158	-
Recreation and culture	-	192,819	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	16,733	10,150	15,822	-	-	-
Interest	11,309	2,628	8,661	-	-	-
Total expenditures	67,486	205,597	179,850	-	53,158	225
Revenues over (under) expenditures	327,281	2,220	(108,627)	(21)	(32,138)	(187)
Other financing sources (uses)						
Transfers in	-	39,996	111,507	-	-	-
Transfers out	(276,586)	(27,944)	(17,040)	(3,646)	-	-
Transfers from component units	-	-	-	-	-	-
Total other financing sources (uses)	(276,586)	12,052	94,467	(3,646)	-	-
Net changes in fund balances	50,695	14,272	(14,160)	(3,667)	(32,138)	(187)
Fund balances, beginning of year	61,823	148,433	4,969	3,667	62,822	5,378
Fund balances (deficit), end of year	\$ 112,518	\$ 162,705	\$ (9,191)	\$ -	\$ 30,684	\$ 5,191

Special Revenue Funds				Debt Service Funds		Permanent Fund	Total
ACT 33 Special Assessment	Project D.A.R.E.	Airport Development	Juvenile Justice Grant	Island Bridge	Storm Drain	Cemetery Trust	
\$ 45,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 573,288
-	-	6,612	21,038	-	-	-	27,650
-	-	35,073	-	-	-	200	170,622
187	40	465	-	104	88	9,107	11,562
-	-	-	-	-	-	-	29,947
<u>45,498</u>	<u>40</u>	<u>42,150</u>	<u>21,038</u>	<u>104</u>	<u>88</u>	<u>9,307</u>	<u>813,069</u>
-	-	24,174	-	-	-	-	179,541
-	3,172	-	21,038	-	-	-	24,435
-	-	-	-	-	-	-	92,602
-	-	-	-	-	-	-	192,819
55,603	-	-	-	-	-	-	55,603
-	-	8,883	-	10,000	61,675	-	123,263
-	-	4,384	-	19,308	27,387	-	73,677
<u>55,603</u>	<u>3,172</u>	<u>37,441</u>	<u>21,038</u>	<u>29,308</u>	<u>89,062</u>	<u>-</u>	<u>741,940</u>
<u>(10,105)</u>	<u>(3,132)</u>	<u>4,709</u>	<u>-</u>	<u>(29,204)</u>	<u>(88,974)</u>	<u>9,307</u>	<u>71,129</u>
-	-	-	-	4,352	88,974	-	244,829
-	-	(9,000)	-	-	-	(39,575)	(373,791)
-	-	-	-	12,000	-	-	12,000
<u>-</u>	<u>-</u>	<u>(9,000)</u>	<u>-</u>	<u>16,352</u>	<u>88,974</u>	<u>(39,575)</u>	<u>(116,962)</u>
(10,105)	(3,132)	(4,291)	-	(12,852)	-	(30,268)	(45,833)
<u>17,700</u>	<u>7,141</u>	<u>92,623</u>	<u>-</u>	<u>25,651</u>	<u>-</u>	<u>154,322</u>	<u>584,529</u>
<u>\$ 7,595</u>	<u>\$ 4,009</u>	<u>\$ 88,332</u>	<u>\$ -</u>	<u>\$ 12,799</u>	<u>\$ -</u>	<u>\$ 124,054</u>	<u>\$ 538,696</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Municipal Street
For the Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 376,575	\$376,575	\$383,390	\$ 6,815
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	250	250	1,324	1,074
Other	10,600	10,600	10,053	(547)
Total revenues	387,425	387,425	394,767	7,342
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	79,642	81,159	39,444	(41,715)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	16,750	16,750	16,733	(17)
Interest	12,175	12,175	11,309	(866)
Total expenditures	108,567	110,084	67,486	(42,598)
Revenues over (under) expenditures	278,858	277,341	327,281	49,940
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(276,585)	(276,585)	(276,586)	(1)
Total other financing sources (uses)	(276,585)	(276,585)	(276,586)	(1)
Net change in fund balance	2,273	756	50,695	49,939
Fund balance, beginning of year	61,823	61,823	61,823	-
Fund balance, end of year	\$ 64,096	\$ 62,579	\$112,518	\$ 49,939

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Parks and Recreation
For the Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 125,914	\$125,914	\$123,744	\$ (2,170)
Intergovernmental	-	-	-	-
Charges for services	59,500	59,500	64,484	4,984
Interest	2,000	2,000	58	(1,942)
Other	14,400	14,400	19,531	5,131
Total revenues	201,814	201,814	207,817	6,003
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	232,007	243,007	192,819	(50,188)
Capital outlay	-	-	-	-
Debt service:				
Principal	10,200	10,200	10,150	(50)
Interest	3,111	3,111	2,628	(483)
Total expenditures	245,318	256,318	205,597	(50,721)
Revenues over (under) expenditures	(43,504)	(54,504)	2,220	56,724
Other financing sources (uses)				
Transfers in	38,587	38,587	39,996	1,409
Transfers out	(27,952)	(27,952)	(27,944)	8
Total other financing sources (uses)	10,635	10,635	12,052	1,417
Net change in fund balance	(32,869)	(43,869)	14,272	58,141
Fund balance, beginning of year	148,433	148,433	148,433	-
Fund balance, end of year	\$ 115,564	\$104,564	\$162,705	\$ 58,141

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Cemetery
For the Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	86,885	86,885	70,865	(16,020)
Interest	1,250	1,250	(5)	(1,255)
Other	2,000	2,000	363	(1,637)
Total revenues	90,135	90,135	71,223	(18,912)
Expenditures				
General government	142,177	149,896	155,367	5,471
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	8,142	8,142	15,822	7,680
Interest	4,101	4,101	8,661	4,560
Total expenditures	154,420	162,139	179,850	17,711
Revenues over (under) expenditures	(64,285)	(72,004)	(108,627)	(36,623)
Other financing sources (uses)				
Transfers in	88,434	95,509	111,507	15,998
Transfers out	(17,050)	(17,050)	(17,040)	10
Total other financing sources (uses)	71,384	78,459	94,467	16,008
Net change in fund balance	7,099	6,455	(14,160)	(20,615)
Fund balance, beginning of year	4,969	4,969	4,969	-
Fund balance (deficit), end of year	\$ 12,068	\$ 11,424	\$ (9,191)	\$ (20,615)

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Emergency Medical Service
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under) Final Budget</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	(21)	(21)
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>(21)</u>	<u>(21)</u>
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(21)</u>	<u>(21)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	(3,646)	(3,646)	-
	<u>-</u>	<u>(3,646)</u>	<u>(3,646)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(3,646)</u>	<u>(3,646)</u>	<u>-</u>
Net change in fund balance	-	(3,646)	(3,667)	(21)
Fund balance, beginning of year	<u>3,667</u>	<u>3,667</u>	<u>3,667</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,667</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ (21)</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Sidewalk
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under) Final Budget</u>
Revenues				
Taxes	\$ 35,000	\$35,000	\$ 20,843	\$ (14,157)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	1,200	1,200	177	(1,023)
Other	-	-	-	-
Total revenues	<u>36,200</u>	<u>36,200</u>	<u>21,020</u>	<u>(15,180)</u>
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	61,200	63,200	53,158	(10,042)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>61,200</u>	<u>63,200</u>	<u>53,158</u>	<u>(10,042)</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(27,000)</u>	<u>(32,138)</u>	<u>(5,138)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(25,000)	(27,000)	(32,138)	(5,138)
Fund balance, beginning of year	<u>62,822</u>	<u>62,822</u>	<u>62,822</u>	<u>-</u>
Fund balance, end of year	<u>\$ 37,822</u>	<u>\$35,822</u>	<u>\$ 30,684</u>	<u>\$ (5,138)</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Drug Forfeiture
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final Budget</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	1,280	1,280	38	(1,242)
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,280</u>	<u>1,280</u>	<u>38</u>	<u>(1,242)</u>
Expenditures				
General government	-	-	-	-
Public safety	2,000	2,000	225	(1,775)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>225</u>	<u>(1,775)</u>
Revenues over (under) expenditures	<u>(720)</u>	<u>(720)</u>	<u>(187)</u>	<u>533</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(720)</u>	<u>(720)</u>	<u>(187)</u>	<u>533</u>
Fund balance, beginning of year	<u>5,378</u>	<u>5,378</u>	<u>5,378</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,658</u>	<u>\$ 4,658</u>	<u>\$ 5,191</u>	<u>\$ 533</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Act 33 Special Assessment
For the Year Ended June 30, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues				
Taxes	\$ 45,000	\$45,000	\$ 45,311	\$ 311
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	187	187
Other	-	-	-	-
Total revenues	45,000	45,000	45,498	498
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	45,000	62,698	55,603	(7,095)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	45,000	62,698	55,603	(7,095)
Revenues over (under) expenditures	-	(17,698)	(10,105)	7,593
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	(17,698)	(10,105)	7,593
Fund balance, beginning of year	17,700	17,700	17,700	-
Fund balance, end of year	\$ 17,700	\$ 2	\$ 7,595	\$ 7,593

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Project D.A.R.E.
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final Budget</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	900	900	40	(860)
Other	-	-	-	-
	<u>900</u>	<u>900</u>	<u>40</u>	<u>(860)</u>
Total revenues	<u>900</u>	<u>900</u>	<u>40</u>	<u>(860)</u>
Expenditures				
General government	-	-	-	-
Public safety	1,500	4,700	3,172	(1,528)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>1,500</u>	<u>4,700</u>	<u>3,172</u>	<u>(1,528)</u>
Total expenditures	<u>1,500</u>	<u>4,700</u>	<u>3,172</u>	<u>(1,528)</u>
Revenues over (under) expenditures	<u>(600)</u>	<u>(3,800)</u>	<u>(3,132)</u>	<u>668</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(600)	(3,800)	(3,132)	668
Fund balance, beginning of year	<u>7,141</u>	<u>7,141</u>	<u>7,141</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,541</u>	<u>\$ 3,341</u>	<u>\$ 4,009</u>	<u>\$ 668</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Airport Development
For the Year Ended June 30, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	6,612	6,612
Charges for services	49,636	49,636	35,073	(14,563)
Interest	50	50	465	415
Other	-	-	-	-
Total revenues	49,686	49,686	42,150	(7,536)
Expenditures				
General government	18,200	18,200	24,174	5,974
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	8,194	8,586	8,883	297
Interest	5,073	4,681	4,384	(297)
Total expenditures	31,467	31,467	37,441	5,974
Revenues over (under) expenditures	18,219	18,219	4,709	(13,510)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(9,000)	(9,000)	(9,000)	-
Total other financing sources (uses)	(9,000)	(9,000)	(9,000)	-
Net change in fund balance	9,219	9,219	(4,291)	(13,510)
Fund balance, beginning of year	92,623	92,623	92,623	-
Fund balance, end of year	\$ 101,842	\$ 101,842	\$ 88,332	\$ (13,510)

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Juvenile Justice Grant
For the Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	24,990	21,038	(3,952)
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total revenues	-	24,990	21,038	(3,952)
Expenditures				
General government	-	-	-	-
Public safety	-	24,990	21,038	(3,952)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	24,990	21,038	(3,952)
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

City of Grand Ledge, Michigan
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

	<u>Equipment Operating</u>	<u>Self - Insurance</u>	<u>Employee Benefit</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 7,591	\$ 40,022	\$ 47,613
Accounts receivable	36,202	-	-	36,202
Prepaid expense	-	-	27,401	27,401
	<u>36,202</u>	<u>7,591</u>	<u>67,423</u>	<u>111,216</u>
Total current assets	36,202	7,591	67,423	111,216
Capital assets, net	<u>228,937</u>	<u>-</u>	<u>-</u>	<u>228,937</u>
Total assets	<u>265,139</u>	<u>7,591</u>	<u>67,423</u>	<u>340,153</u>
Liabilities				
Current liabilities:				
Accounts payable	1,875	-	-	1,875
Salaries payable	1,455	-	-	1,455
Interfund payables	46,968	-	-	46,968
Accrued compensated absences, current portion	<u>1,366</u>	<u>-</u>	<u>-</u>	<u>1,366</u>
Total current liabilities	51,664	-	-	51,664
Noncurrent liabilities -				
Accrued compensated absences, net of current portion	<u>5,455</u>	<u>-</u>	<u>-</u>	<u>5,455</u>
Total liabilities	<u>57,119</u>	<u>-</u>	<u>-</u>	<u>57,119</u>
Net assets				
Unrestricted	<u>\$ 208,020</u>	<u>\$ 7,591</u>	<u>\$ 67,423</u>	<u>\$ 283,034</u>

City of Grand Ledge, Michigan
Combining Statement of Revenues,
Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2004

	<u>Equipment Operating</u>	<u>Self - Insurance</u>	<u>Employee Benefit</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 202,358	\$ -	\$ 436,370	\$ 638,728
Other revenue	<u>1,445</u>	<u>-</u>	<u>2,195</u>	<u>3,640</u>
Total operating revenue	<u>203,803</u>	<u>-</u>	<u>438,565</u>	<u>642,368</u>
Operating expenses				
Personnel	65,925	-	458,427	524,352
Repair and maintenance	34,534	-	-	34,534
Utilities	4,246	-	-	4,246
Other	14,179	-	-	14,179
Depreciation	<u>35,667</u>	<u>-</u>	<u>-</u>	<u>35,667</u>
Total operating expenses	<u>154,551</u>	<u>-</u>	<u>458,427</u>	<u>612,978</u>
Net operating income (loss)	49,252	-	(19,862)	29,390
Non-operating revenues (expenses)				
Investment income (loss)	<u>(602)</u>	<u>54</u>	<u>399</u>	<u>(149)</u>
Income (loss) before transfers	48,650	54	(19,463)	29,241
Transfers out	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
Change in net assets	8,650	54	(19,463)	(10,759)
Net assets, beginning of year	<u>199,370</u>	<u>7,537</u>	<u>86,886</u>	<u>293,793</u>
Net assets, end of year	<u>\$ 208,020</u>	<u>\$ 7,591</u>	<u>\$ 67,423</u>	<u>\$ 283,034</u>

City of Grand Ledge, Michigan
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004

	<u>Equipment Operating</u>	<u>Self - Insurance</u>	<u>Employee Benefit</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from interfund services	\$ 157,602	\$ -	\$ 436,370	\$ 593,972
Payments to suppliers/claimants	(54,209)	-	(456,488)	(510,697)
Payments to employees	(62,791)	-	-	(62,791)
Net cash provided (used) by operating activities	<u>40,602</u>	<u>-</u>	<u>(20,118)</u>	<u>20,484</u>
Cash flows from non-capital financing activities				
Transfers to other funds	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
Cash flows from investing activities				
Investment income (loss)	<u>(602)</u>	<u>54</u>	<u>399</u>	<u>(149)</u>
Net increase (decrease) in cash and cash equivalents	-	54	(19,719)	(19,665)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>7,537</u>	<u>59,741</u>	<u>67,278</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 7,591</u>	<u>\$ 40,022</u>	<u>\$ 47,613</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 49,252	\$ -	\$ (19,862)	\$ 29,390
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	35,667	-	-	35,667
Change in assets and liabilities:				
Accounts receivable	(741)	-	-	(741)
Prepaid expense	-	-	(256)	(256)
Accounts payable	(1,954)	-	-	(1,954)
Salaries payable	1,132	-	-	1,132
Interfund borrowing	(44,756)	-	-	(44,756)
Accrued compensated absences	<u>2,002</u>	<u>-</u>	<u>-</u>	<u>2,002</u>
Net cash provided (used) by operating activities	<u>\$ 40,602</u>	<u>\$ -</u>	<u>\$ (20,118)</u>	<u>\$ 20,484</u>

City of Grand Ledge, Michigan
Combining Balance Sheet
Fiduciary Funds
June 30, 2004

	<u>Agency Funds</u>			
	<u>Trust & Agency</u>	<u>Current Tax</u>	<u>Payroll Clearing</u>	<u>Total</u>
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 99,418	\$ 31,165	\$ 13,041	\$ 143,624
Taxes receivable	245	2,894	-	3,139
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL ASSETS</u>	<u>\$ 99,663</u>	<u>\$ 34,059</u>	<u>\$ 13,041</u>	<u>\$ 146,763</u>
<u>LIABILITIES</u>				
Liabilities				
Accounts payable	\$ 3,902	\$ -	\$ 13,041	\$ 16,943
Undistributed taxes	95,761	34,059	-	129,820
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL LIABILITIES</u>	<u>\$ 99,663</u>	<u>\$ 34,059</u>	<u>\$ 13,041</u>	<u>\$ 146,763</u>



REHMANN ROBSON

Certified Public Accountants

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December 3, 2004

To the City Council of the
City of Grand Ledge
Grand Ledge, Michigan

We have audited the financial statements of the City of Grand Ledge for the year ended June 30, 2004, and have issued our report thereon dated December 3, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated October 11, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Grand Ledge. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Grand Ledge are described in Note 1 to the financial statements. As described in Note IV to the financial statements, the City of Grand Ledge changed accounting policies related to the new financial reporting requirements for all state and local governments, by adopting Statements of Governmental Accounting Standards (GASB Statements) No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and No. 38 – *Certain Financial Statement Note Disclosures*. Accordingly, the cumulative effect of implementing these new standards resulted in a substantial restatement of beginning net assets/fund balances that is also reported in Note IV. We noted no transactions entered into by the City of Grand Ledge during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of Grand Ledge's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City of Grand Ledge, either individually or in the aggregate, indicate matters that could have a significant effect on the City of Grand Ledge's financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Grand Ledge's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum is intended for the use of City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehmann Lohorn

City of Grand Ledge
Comments and Recommendations
For the Year Ended June 30, 2004

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated December 3, 2004 on the financial statements of the City of Grand Ledge.

Utility Billing Receivables

During the year, the City implemented a new utility billing software to replace the antiquated system previously used. This new system is integrated with the cash receipt and general ledger modules to provide for automatic postings of utility billing related transactions. This should allow the City to readily reconcile the general ledger control accounts with the subsidiary ledger detail; however, since the conversion (and before), management has been unable to properly reconcile the utility billing receivables, which is a basic internal control procedure and necessary to ensure the accuracy of revenues and receivables.

Accordingly, the City must establish procedures to reconcile the utility billing receivable detail to the general ledger control accounts on no less than a monthly basis. These procedures should also include an analysis of water and sewer revenues to ascertain that rates are appropriate, to identify potential system losses and to identify unusual/unexpected fluctuations.

Other Receivables

The City uses a separate accounts receivable module to invoice and track charges for various fees and services other than utility billings. Similarly, though, these receivables have also not been reconciled between the general ledger control accounts and the subsidiary ledgers. Moreover, we noted several individually significant accounts that were past due for which management has not taken appropriate action to ensure timely collection, if at all.

As with the utility billing receivables, procedures must be established and followed to provide for the timely and regular reconciliation of control accounts with subsidiary ledgers. Also, procedures should be adopted and enforced to closely monitor collection of these other receivables and to take appropriate actions when payments are past due.

Delinquent Personal Property Taxes

The City is maintaining appropriate accounts for delinquent personal property taxes, but other than posting the receivables and collections that come in, the City is not reconciling the detail to the control accounts (a recurring theme) nor is it distributing the tax collections to the proper taxing jurisdictions, including the City itself, on timely basis.

Accordingly, appropriate policies and procedures should be developed and followed to ensure proper management of delinquent personal property taxes receivable and the collections thereof.

City of Grand Ledge

Comments and Recommendations (Concluded)

For the Year Ended June 30, 2004

Deficit Fund Balances

Deficit fund balances were reported for the local street and cemetery special revenue funds at year-end, which violates State statutes. The local street fund deficit was caused by the premature expenditure of monies on certain street improvement projects before the receipt of bond issuance monies that was the intended source for financing those projects. This deficit is eliminated in the new fiscal year with the receipt of those bond proceeds.

The cemetery fund deficit was caused by the need to make the required repayment on an interfund loan, for which the fund did not have the necessary financial resources to absorb. The City will be required to file a deficit elimination plan with the State explaining how this matter will be corrected.

Accounting for Capital Assets

A year ago, the City acquired a capital assets module as part of its accounting software package. The prior Treasurer/Finance Director entered some of the City's capital assets (both proprietary and governmental), but not all of them (as previously maintained through 6/30/02 by the predecessor audit firm and added by the City during fiscal 2002-03). In the wake of his departure, no further activity occurred to update the capital assets for the prior year omissions or the current year additions/reductions. As a result, significant additional time was required to update and correct the capital asset balances, which delayed the completion of the audit and issuance of the financial statements. The City should make the necessary efforts to properly maintain its capital asset records.

Overall Financial Management

Other than processing receipts and disbursements, for which there appears to be adequate controls, the City has done little to effectively manage the financial function. As demonstrated by the above comments, besides outsourcing the bank reconciliation procedures, the City has substantially abdicated the necessary process of analyzing, reconciling and managing its receivables and payables. This contributes to the inability to provide accurate and timely financial information to managers and decision makers.

No doubt, the vacancy in the Treasurer/Finance Director position during the year contributed greatly to this situation. The City has been fortunate, though, to hire an experienced and knowledgeable governmental accountant to fill this position; unfortunately, though, he is part-time. Given the extent of work needed to bring the City's financial management function into proper order (and to save on outsourcing and additional audit fees), we strongly recommend that the City change the accountant to a full-time schedule and establish a timeline for the tasks associated with the above comments.
